

Medicare Part B Premiums: Important Information For People Newly Eligible For Medicare

2009



If you are now filing for Medicare, you automatically will receive Medicare hospital insurance (Part A). You then will need to decide if you want Medicare medical insurance (Part B). If you already are receiving Social Security benefits and are just becoming eligible for Medicare, you automatically will receive Medicare Part A. You also will receive Medicare Part B automatically **unless you tell us you do not want it.** (Note: Residents of Puerto Rico or foreign countries will not receive Part B automatically. They must elect this benefit.) Before you decide about keeping Part B coverage, there are some things you need to know.

The Medicare Modernization Act of 2003 changed how Part B premiums are calculated for some higher income beneficiaries. The majority of Medicare beneficiaries will **not** be affected. Part B helps pay for doctors' services and outpatient care. It also covers other medical services, such as physical and occupational therapy, and some home health care. For most beneficiaries, the government pays a substantial portion—75 percent—of the Part B standard premium and the beneficiary pays the remaining 25 percent.

Since 2007, higher income beneficiaries have been paying a larger percentage of their Part B premium based on income they reported to the Internal Revenue Service (IRS). In 2009, higher income beneficiaries will pay a monthly premium equal to 35, 50, 65 or 80 percent of the total cost, depending on what they reported to the IRS. However, the law affects less than 5 percent of Medicare beneficiaries, **so most people will continue to pay the standard premium** without an income-related adjustment.

How will I know if I must pay more?

If you are already receiving Social Security benefits and apply for Medicare Part B coverage, we generally will ask IRS to send us information from your most recent tax return two months before your coverage begins. We will then send you a letter to tell you what your premium will be and how we made this determination.

If you are not already receiving Social Security benefits when you file for Medicare and your coverage becomes effective at the time of filing, we will begin to charge you the standard premium amount. Then, we will ask IRS to send us information from your most recent tax return. If IRS data indicates you need to pay a higher premium,

we will correct your Part B premiums back to the earliest time in the year you had Part B. We will then send you a letter explaining how we made this determination and what your new premium will be.

We will make any adjustments to the standard premium using a sliding scale. The sliding scale will be based on your modified adjusted gross income (MAGI). Your MAGI is a combination of your adjusted gross (taxable) income and tax exempt interest income. In 2009, if you file your taxes as "married, filing jointly" and your MAGI is more than \$170,000, you will pay a higher Part B premium. For any other taxpayer filing status, you will pay a higher Part B premium if your MAGI is more than \$85,000. (See chart on other side.) However, it is important to remember that ***if your income does not exceed the limits described above, this law does not apply to you.***

Which tax return will you use?

To determine your 2009 Part B premium, we will use the most recent tax return information provided by IRS. Generally, this information is from a tax return filed in 2008 (for tax year 2007). Sometimes, IRS can only provide information from a return filed in 2007 (for tax year 2006). If we use tax year 2006 data and you filed a return for tax year 2007 or did not need to file a tax return for tax year 2007, call us or visit any office. We will update our records.

If you amended your tax return and it changes the income we count, let us know as soon as possible. Send Social Security a copy of the amended tax return that you filed and your acknowledgment receipt from IRS. We will update our records with the information you provide, and correct your Part B premiums back to the earliest time in the year you had Part B.

What if my income has gone down?

If your income has gone down due to any of the following circumstances and the change will make a difference in the income level we consider, contact us as soon as possible to explain that you have new information and may need a new decision about your Medicare Part B premium:

- You married;
- You divorced or your marriage was annulled;
- You became a widow/widower;
- You or your spouse stopped working or reduced work hours;

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